

My View: Think twice before hiring public adjusters

By Jason B. Wolf

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If you own a commercial property; serve on a condominium board or own a house, you are virtually guaranteed to hear a sales pitch from a public adjuster this winter or spring.

PAs are licensed professionals who purport to help policyholders with insurance claims. They often advertise, and although a bill passed in 2010 placed certain restrictions on their advertising tactics, the public adjusters successfully sued and the Supreme Court of Florida struck down some of the restrictions.

Usually, PAs have two methods to help you recover more money. If you have had an insurance claim recently, they tell you that they can re-open the claim and obtain more money. Regardless of the dollar figure, the PAs claim you were underpaid, so they promise to get more. Second, if you haven't had a claim, but were thinking about filing one because you had a plumbing leak, or other issue, they promise to get money from the insurance company.

Solicitations of this nature increase this time of year because hurricane season is over, and properties aren't often damaged by weather conditions, so public adjusters generate business in other ways.

Oftentimes, the sales pitch seems too good to be true. Public adjusters are statutorily mandated to work on a contingency basis, so you pay nothing until they procure money from the insurance company. They persuade you that insurance companies are out to maliciously nickel-and-dime their clients, and only a PA can help navigate the oppressive and unjust world of insurance claims. Make no mistake about this "us versus them" mentality. This is the mantra that public adjusters employ to sign up new clients: All insurance companies are heavily biased against policyholders and only a public adjuster can guarantee that the insured is treated fairly.

It sounds like a fantastic deal, right? A trained professional will stand by your side as you navigate the murky and inherently unfair claims process. This pitch based on no-risk and high reward is misguided for anyone who can see past the potential for short-term gain. True, some policyholders need hand-holding by a public adjuster to walk them through the insurance claims process, but the reality is more complex.

More common is what I see every day. The policyholder files a claim, the insurance company pays money and the claim appears to be closed. Then months or even years later, the insurance company is slapped with a lawsuit alleging the insurer underpaid. These lawsuits always have a public adjuster attached, often because the policyholder fell victim to the no-risk sales pitch that more money is out there for the taking.

Property insurance litigation has exploded over the past few years in Florida, which has forced insurance companies to become hyper vigilant, knowing that every claim could turn into a lawsuit. Insurance companies spend millions of dollars defending themselves from lawsuits. Each time one is filed, attorneys become involved, as do field adjusters, litigation adjusters, experts, inspectors, clerks, process servers and others that participate in the litigation process. This is costly, so it escalates an insurer's LAE (loss adjustment expenses) for each claim and causes the carrier to increase its reserves (money budgeted to bring a lawsuit to a close) for every claim in litigation. Defending a lawsuit is expensive. Defending thousands of lawsuits, many of which have dubious merits, is even more expensive.

I don't need to tell you who ultimately pays for this increase in frivolous lawsuits against insurance companies, do I?

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